

**CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
BOND FINANCING PROGRAM
EXECUTIVE SUMMARY**

<p>Applicant: Pomona College (the "College") Claremont, CA Los Angeles County</p> <p>Facility Type: Private University</p> <p>Project Location: 550 North College Ave, Claremont, CA 91711</p> <p>Accreditation: Western Association of Schools and Colleges</p>	<p>Amount Requested: \$75,000,000</p> <p>Date Requested: February 26, 2009</p> <p>Resolution Number: 266</p>																
<p>Use of Proceeds: Bond proceeds will be used to refund a portion of the CEFA Series 1999 bonds, and all outstanding Series 2005B and 2008B bonds. The bond refundings will provide the College with a cost savings as well as limit their variable rate exposure. In addition to the refundings, the College plans to add a project to the CEFA Series 2008A project list as permitted by the 2008 Loan Agreement.</p>																	
<p>Type of Issue: Negotiated public offering, fixed and/or variable rates</p> <p>Security Loan Provisions: General obligation pledge</p> <p>Credit Enhancement: None</p> <p>Expected Credit Rating: AAA (S&P)/ AAA (Fitch)/ Aaa (Moody's)</p> <p>Senior Manager: Wedbush Morgan Securities</p> <p>Bond Counsel: Squire, Sanders & Dempsey LLP</p>																	
<p>Environmental Benefits: Because this is a refunding of existing debt, environmental benefits are not applicable to this financing.</p>																	
<p>Financial Overview: The College's solid growth in its revenue base has contributed to the consistent generation of operating surpluses. The balance sheet reflects increased total assets with solid debt service coverage levels.</p>																	
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: left;"><u>Sources of funds:</u></th> <th colspan="2" style="text-align: left;"><u>Uses of funds:</u></th> </tr> </thead> <tbody> <tr> <td style="width: 30%;">Par Amount of Bonds</td> <td style="width: 20%; text-align: right;">\$75,000,000</td> <td style="width: 30%;">Refunding</td> <td style="width: 20%; text-align: right;">67,057,456</td> </tr> <tr> <td>Original Issue Discount</td> <td style="text-align: right;">(7,098,750)</td> <td>Financing Costs</td> <td style="text-align: right;"><u>843,791</u></td> </tr> <tr> <td>Total Sources</td> <td style="text-align: right;"><u>\$67,901,250</u></td> <td>Total Uses</td> <td style="text-align: right;"><u>\$67,901,250</u></td> </tr> </tbody> </table>		<u>Sources of funds:</u>		<u>Uses of funds:</u>		Par Amount of Bonds	\$75,000,000	Refunding	67,057,456	Original Issue Discount	(7,098,750)	Financing Costs	<u>843,791</u>	Total Sources	<u>\$67,901,250</u>	Total Uses	<u>\$67,901,250</u>
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<p>Legal Review: No information was disclosed to question the financial viability or legal integrity of the Applicant.</p>																	
<p>Staff Recommendation: Staff recommends the Authority approve a Resolution in an amount not to exceed \$75,000,000 for Pomona College subject to a bond rating of at least an "A" category by a nationally recognized rating agency and meeting the standard bond issuance guidelines for "A" category rated debt.</p>																	

STAFF SUMMARY AND RECOMMENDATION

Pomona College (the “College”)

February 26, 2009

Resolution Number: 266

- I. **PURPOSE OF FINANCING:** The College is seeking to refund their debt to position themselves with more affordable and stable rate structures.

Refunding \$67,057,459

The College plans to refund all or a portion of the CEFA Series 1999, 2005B and 2008B Bonds.

The current refunding of the CEFA Series 1999 bonds will provide the College with a net present value savings of approximately 9.9% or \$574,120. The College plans to refund approximately \$5,992,458 of the outstanding balance of \$11,765,000 remaining. The bonds were originally issued to finance various renovation projects and to refund the CEFA Series 1992 bonds.

The CEFA Series 2005B and 2008B bonds are variable rate bonds. The outstanding balances of these bonds are \$27,040,000 and \$34,025,000, respectively. With the instability in the market, the College’s Board of Directors deemed that it’s in the best interest of the College to refund the remaining portions of these bonds in order to limit their variable rate exposure.

The Series 2005B bonds proceeds were originally used for the construction of various facilities and to advance refund the CEFA Series 1999B bonds. The Series 2008B bonds were originally issued for the construction of residence halls, parking lots and various facility renovations.

In addition to the refundings, the College plans to add a project to the CEFA Series 2008A project list to be paid from available proceeds of the 2008A bonds. The project is described as necessary renovations to the Seaver South Building. The renovations include updating and modernizing the laboratories and providing additional faculty space for the College’s Biology program.

Financing costs..... 843,791

Underwriter Fee and Expenses\$501,541

Costs of Issuance..... 342,250

***TOTAL USES OF FUNDS* \$67,901,250**

II. FINANCIAL ANALYSIS:

Pomona College
Statement of Activities (\$000's)
Unrestricted

	Fiscal Year Ended June 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Operating activities:			
Revenues:			
Tuition and fees, net	\$ 46,731	\$ 45,287	\$ 42,915
Federal grants & contracts	1,543	1,759	1,615
Private gifts & grants	11,777	7,361	8,661
Private contracts	578	438	441
Investment income	15,325	18,904	16,811
Net realized & unrealized gains, appropriated	45,995	34,717	34,694
Sales & services of educational departments	289	251	269
Other sources	729	834	4,078
Total revenues	<u>122,967</u>	<u>109,551</u>	<u>109,484</u>
Expenses:			
Instruction	49,520	44,361	41,056
Research	3,141	2,833	2,593
Public service	621	544	585
Academic support	13,049	12,794	11,633
Student services	13,817	12,834	11,982
Institutional support	20,142	18,103	15,956
Auxiliary enterprises	17,505	16,416	14,118
Total expenses	<u>117,795</u>	<u>107,885</u>	<u>97,923</u>
Increase in net assets from operating activities	5,172	1,666	11,561
Nonoperating:			
Net realized & unrealized gains, unappropriated	18,048	292,226	147,530
Adjustment of actuarial liabilities	1,787	9,233	5,067
Comprehensive gain/loss on staff retirement plan	(78)	(159)	1,019
Annuity & life income funds released	335	1,458	564
Net assets released from restrictions	8,783	12,794	1,696
Change in designation of donor contributions	(250)	-	-
Change in net assets from nonoperating activities	<u>28,625</u>	<u>315,552</u>	<u>155,876</u>
Change in net assets before cumulative effect of change in accounting principle	-	317,218	167,437
Change in accounting principle	-	-	(5,168)
Change in unrestricted net assets	<u>33,797</u>	<u>317,218</u>	<u>162,269</u>
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	<u>1,757,638</u>	<u>1,440,420</u>	<u>1,278,151</u>
UNRESTRICTED NET ASSETS, END OF YEAR	<u><u>\$ 1,791,435</u></u>	<u><u>\$ 1,757,638</u></u>	<u><u>\$ 1,440,420</u></u>

Pomona College
Statement of Financial Position (\$000's)

	As of June 30,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
ASSETS:			
Cash	\$ 1,508	\$ 1,765	\$ 1,613
Collateral held for loaned securities	64,781	68,050	61,731
Accounts receivable, net	1,696	3,113	2,152
Prepaid expenses and deposits	1,112	1,315	672
Short-term investments	56,364	51,188	52,162
Contributions receivable	24,662	24,475	20,935
Notes receivable, net	18,588	18,067	17,573
Long-term investments:	-	-	-
Pooled	1,870,112	1,833,499	1,516,545
Separately invested	97,986	104,517	110,221
Assets restricted to investment in property & equip	98,652	19,378	29,304
Plant facilities, net of accumulated depreciation	257,469	234,153	206,935
Total assets	\$ 2,492,930	\$ 2,359,520	\$ 2,019,843
LIABILITIES AND NET ASSETS:			
Accounts payable	\$ 14,198	\$ 14,465	\$ 12,978
Accrued payroll & other liabilities	15,989	14,145	13,059
Securities lending obligation	64,781	68,050	61,731
Life income & annuities obligation	60,363	60,847	59,267
CEFA bonds payable	190,433	94,190	96,132
Government advances for student loans	4,939	4,906	4,912
Funds held in trust for others	26,096	26,780	24,474
Total liabilities	376,799	283,383	272,553
Net assets:			
Unrestricted	1,791,435	1,757,638	1,440,420
Temporarily restricted	45,820	45,401	48,938
Permanently restricted	278,876	273,098	257,932
TOTAL NET ASSETS	2,116,131	2,076,137	1,747,290
TOTAL LIABILITIES AND NET ASSETS	\$ 2,492,930	\$ 2,359,520	\$ 2,019,843

Financial Ratios

	Proforma (a)			
	FYE 6/30/08	<u>2008</u>	<u>2007</u>	<u>2006</u>
Debt service coverage (x)	7.63	9.88	68.46	36.86
Debt to expendable net assets (x)	0.11	0.10	0.05	0.06
Expendable net assets to operations (x)		15.60	16.71	15.21
Margin (%)		4	2	11

(a) Recalculates 2008 results to include the impact of this proposed financing

Financial Discussion:

The College's solid growth in its revenue base has contributed to the consistent generation of operating surpluses.

The College continues to generate consistent operating and non-operating results over the three-year review period. Total revenues have grown from \$109.5 million in FY 2006 to \$122.9 million in FY 2008, a 12% increase. The College attributes this increase to steady increases in net tuition and fees, federal grants and contracts, and investment income.

Operating expenses totaled \$117.8 million in FY 2008, increasing by nearly \$10 million or 9% as compared to the prior fiscal year. Keeping expenses in line has allowed the College to post operating results of approximately \$5.1 million and \$28.6 million in non-operating results in FY 2008.

The balance sheet reflects increased total assets with solid debt service coverage levels.

Financial strength remains solid. The balance sheet indicates total assets have grown 23% over the review period, from \$2.0 billion in FY 2006 to \$2.5 billion in FY 2008. Contributing to this growth was a 21% increase in long-term investments.

The College has effectively managed its long-term debt as reflected in their impressive debt service coverage levels. The College has approximately \$190 million in long-term debt as compared to nearly \$2.1 billion in total net assets. With this proposed financing, the College's pro forma debt service coverage ratio is still acceptable at 7.63x, indicating the College's likely ability to support the additional debt.

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III. BACKGROUND:

General:

The College is one of the oldest institutions of higher learning in California. The College is a private, nonprofit, nonsectarian Liberal Arts College located in the city of Claremont, CA. The College was established in 1887-88 under the sponsorship of persons affiliated with the Congregational Churches, ties to which were severed in 1909.

The College is part of the Claremont Colleges, which is a consortium of five undergraduate and two graduate institutions. The seven institutions occupy contiguous campuses and jointly finance a central administration for the operation of shared programs and facilities and services. Although the College is responsible for its share of payments to operate facilities, which are owned jointly by the seven institutions, it is not responsible for the indebtedness of any of the other six institutions. In addition, none of the other six Claremont institutions has any responsibility to make payments with respect to the bonds or any other indebtedness of the College.

Administration:

The College is governed by a self-perpetuating Board of Trustees, which consists of up to 42 members, including the President of the College. The Board of Trustees has legal responsibility for the management of the College, including its academic policy, land use and development, faculty and staff appointments and benefits, gift development, adoption of the College budget and supervision of financial affairs.

Accreditations and Affiliations:

The College is fully accredited by the Western Association of Schools and Colleges, of which it is a member. This accreditation was originally granted in 1949 and was last reaffirmed in 2002. Additionally, the College is a member of the Association of American Colleges; American Association of Collegiate Registrars and Admissions Officers; American Council on Education; American Council of Learned Sciences; Association of Governing Boards of Universities and Colleges; Association of Independent California Colleges and Universities; College Entrance Examination Board; Council for the Advancement and Support of Education; National Association of College and University Business Officers; Independent Colleges of Southern California; and the Consortium on the Financing of Higher Education.

Academic Programs:

The College offers 45 majors in the natural sciences, humanities, social sciences and fine arts. Students may also take courses at any of the other Claremont Colleges.

IV. OUTSTANDING DEBT (\$000's):

<u>Issue:</u>	<u>Original Issue Amount</u>	<u>Amount Outstanding as of 06/30/08</u>	<u>Estimated Amount Outstanding After Proposed Financing</u>
Existing Debt:			
CEFA, Series 1999	\$ 17,885	\$ 11,765	\$ 5,773
CEFA, Series 2001	15,220	10,855	10,855
CEFA, Series 2005A	41,880	41,880	41,880
CEFA, Series 2005B	27,040	27,040	-
CEFA, Series 2008A	59,475	59,475	59,475
CEFA, Series 2008B	34,025	34,025	-
Proposed:			
CEFA, Series 2009			75,000
Total		\$ 185,040	\$ 192,983

V. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- Religious Due Diligence
- Legal Review
- Compliance with Section 94212(b) of the Education Code – California Environmental Quality Act

VI. STAFF RECOMMENDATION:

Staff recommends the Authority approve a Resolution in an amount not to exceed \$75,000,000 for Pomona College subject to a bond rating of at least an “A” category by a nationally recognized rating agency and meeting the standard bond issuance guidelines for “A” category rated debt.